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18 August 1953

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State Department review completed

TOP SECRET

25X1A

SUMMARY

25X1

FAR EAST

2. Top anti-Rhee leader believes further opposition impossible (page 3).
3. Peiping announces increase in Sino-Satellite trade for 1953 (page 4).

25X1

WESTERN EUROPE

6. Comment on Soviet note of 16 August (page 6).
7. Comment on prospects for Pella's new Italian cabinet (page 7).

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25X1A

- 2 -

25X1A

18 Aug 53

25X1



FAR EAST

2. Top anti-Rhee leader believes further opposition impossible:

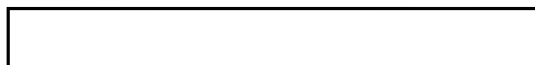
25X1A



Chough Pyong-ok, leader of the opposition Democratic National Party and chief opponent of President Rhee, is convinced that further overt opposition

- 3 -

25X1A



18 Aug 53

25X1A

to the president is hopeless and would only lead to persecution and political suicide. He believes it is wiser to cooperate with Rhee and attempt to guide him away from the "dangerous elements" who are now advising him.

Chough's strategy is to form a new political party, without the anti-Rhee emphasis, and build it up as a counter-balance to Rhee's Liberal Party and particularly to the influence of Yi Pom-sok, Rhee's most likely successor.

Comment: Chough's decision follows press reports that at least 23 Democratic National Party legislators have or will soon join Rhee's party, reducing the Democratic Nationals' strength below the minimum required for an assembly opposition group.

With the disappearance of this party, Rhee will have systematically shattered the last remaining effective opposition. Reports indicate that he may foster a "democratic national front," using as an excuse the problem of unification.

3. Peiping announces increase in Sino-Satellite trade for 1953:

25X1A



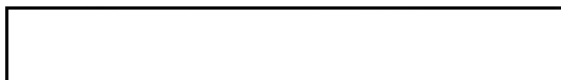
Trade between Communist China and the six East European Satellites in 1953 will be about one third more than last year, according to Peiping's vice minister of foreign trade. The volume of machinery and vehicles imported from Eastern Europe this year will be three times greater than in 1952, and will account for one half of Peiping's 1953 imports from that area.

Comment: A substantial increase in shipping between Communist China and the European Satellites was apparent early this year.

China's total foreign trade is also expected to be higher this year than last, as estimated imports from non-Communist countries in the first half of 1953 have reached 65 percent of last year's total and China's trade with the USSR is not believed to be declining.

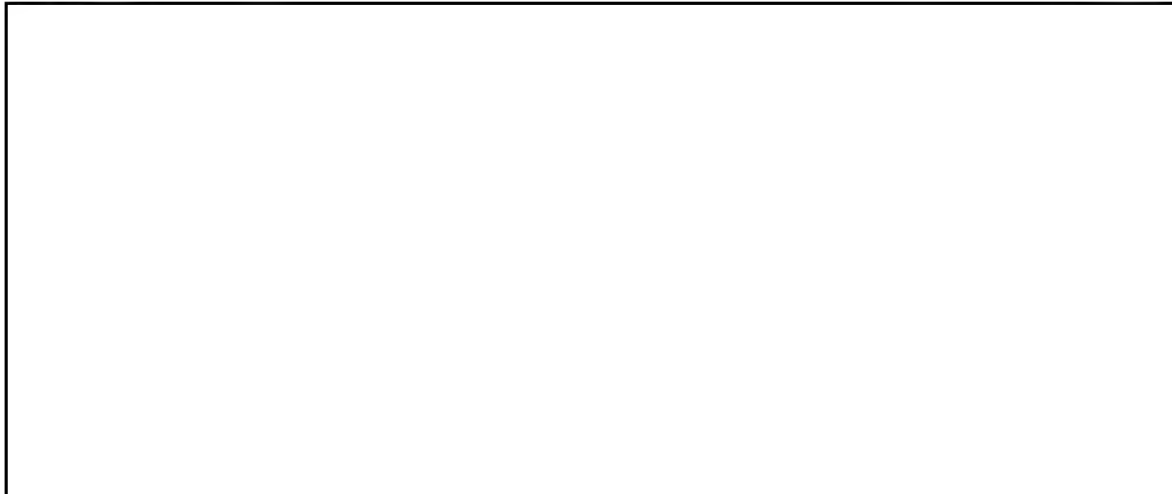
25X1A

- 4 -



18 Aug 53


25X1



WESTERN EUROPE

6. Comment on Soviet note of 16 August:

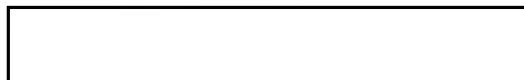
25X1A

 The Soviet note of 16 August addresses itself specifically to the German problem in an attempt to upset Chancellor Adenauer's chance for re-election in September. The note will momentarily intensify West German speculation on unity but is not likely to have any significant effect on the outcome of the 6 September elections. Chancellor Adenauer has declared that the terms are completely unacceptable, stating that their fulfillment would be tantamount to national suicide. The independent West German press thus far tends to be critical.

The proposal repeats past Soviet terms for a German peace treaty. Its only new point is that calling for the elimination of reparations payments. This loses its effectiveness, however, in face of Western suspension of such payments from internal assets two years ago. The USSR does not compromise on the crucial issue of free all-German elections prior to peace treaty discussions or international supervision of those elections.

- 6 -

25X1A



18 Aug 53

25X1A

7. Comment on prospects for Pella's new Italian cabinet:

25X1A

[REDACTED] Prospects are reasonably good for parliamentary approval of the new all-Christian Democratic cabinet of Italian premier Giuseppe Pella. Even without a vote of confidence, however, Pella would remain as head of a caretaker government until his special powers expire on 31 August, and could probably obtain parliament's extension of the provisional budget beyond that date.

The new premier has made substantial concessions to his party's reform-minded left wing by appointing its leaders to head the Ministries of Defense, Interior, and Public Instruction. Elimination from the cabinet of both right-wing Christian Democrat Giuseppe Togni and former premier De Gasperi, together with the urgency of the budgetary situation, should ensure for Pella the necessary votes of the minor democratic parties and the abstention, if not the support, of the extreme right.

- 7 -

25X1A

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